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The MANAGEMENT REVIEW

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The MANAGEMENT REVIEW

JULY, 1937

The Eccentricity Factor In Business

"IT IS an unwarranted assumption," says George T. Trundle, Jr., President of the Trundle Engineering Company, in one of the *Management Review's* foremost abstracts of the month, "that poor management reflects lack of intelligence and foresight. More often it entails the existence of a group of individuals who are over enthusiastic, prejudiced or eccentric along certain lines—men who are otherwise intelligent and capable."

Mr. Trundle goes on to point out that when the personal idiosyncrasies of a group of men engaged together in the common enterprise of running a business get the better of them, the result is friction, inefficiency and waste. He then points out a few of these personal quirks. Here they are:

- Desire to get credit for everything.
- Refusal to take other people's judgment.
- Adherence to outworn traditions.
- Carrying family matters into business.
- Extreme public-mindedness.

Only a few of the objectionable eccentricities are contained in Mr. Trundle's list. Of course there are more, but these illustrate the point. The author is not content simply to deplore them—he suggests a plan for eliminating them. (Page 223.)

We have heard and seen the profit sharing scheme slammed and slapped, praised and blamed, but this month we present the greatest slap that has yet been aimed at that in-again-out-again device.

States an anonymous author, the abstract from whose article in *Factory Management and Maintenance* appears on page 238 in *Management Review*: "Phoenix-like, the idea of making enterprisers out of wage-earners is arising from the ashes of disillusionment. Managements are again making the mistake of assuming that workers, like themselves, are pioneers at heart. . . .

"The wage-earner has traded his claim upon windfall returns for a stable income which approximates a moving average of his value to his employer's business. . . .

"The payment of wage bonuses contingent on profits is at best an unsettling procedure. . . .

"Expectations are aroused, which when fulfilled may bring the accounting procedures of the employer into question. . . .

From these choice sentences you quickly get the idea of the basis of the writer's objections. Essence of his argument against the plan is that it brings unevenness of income; the worker comes to expect the continuance of the bonus payment and adjusts his living standard accordingly.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

PROGRESS IN INSURANCE BUYING

IN RECENT years much progress has been made by industrial and business concerns in the economical and efficient buying of insurance. Of course, much progress can still be made, but I believe it is safe to say that insurance buying has grown from the kindergarten stage to the adolescent period.

One of the most significant evidences of this advance is the emergence of insurance buying as a definite managerial function, and the elevation of the insurance manager to a position of executive importance comparable to comptroller, sales manager, and other key positions.

This tendency is logical. Success in industry depends very much upon intelligent buying. Business has buyers who know their subjects thoroughly, and have time carefully to procure labor, materials, and supplies. It is fully as important that business give the same attention to the purchase of insurance—one of its most complicated and technical acquisitions.

Alert companies are therefore finding today that a well-organized insurance department is an indispensable adjunct to smooth and successful corporate management. They realize that the task of organizing, procuring, and supervising insurance and related matters requires specialized knowledge and skill—and above all, time on the part of a responsible individual to give it proper attention instead of sandwiching it in with other duties. In addition to organizing and buying insurance, the insurance manager maintains constant supervision of all details related to insurance—renewal and checking of policies, preparation of reports, inspection of properties and operations, adjustment of losses, and similar routine but vitally important matters.

Regular inspection of properties by someone responsible for insurance often brings to light surprising facts concerning risks and coverage. For example, after one company organized an insurance department it found that very often, during the ordinary course of its business, buildings were erected and equipment installed without these changes reaching the company's books until a month or six weeks had elapsed. Meanwhile the property was, according to existing policies, entirely unprotected.

Another concern discovered that machinery insured in

one group of buildings was not covered at all after it had been transferred to another group. The oversight was entirely the fault of insufficient attention given to the purchase of insurance.

So called consequential losses—losses which result from direct damage, but are not directly due to the cause of that damage—often run into large figures. As a rule they are entirely unforeseen, and require careful consideration by someone well-versed in insurance problems if a firm desires complete protection. Thus, in a recent instance a large department store had to pay damages of \$15,000 because it sold a woman a depilatory preparation from the use of which she lost her eyesight. The manufacturer had been forced into bankruptcy by similar suits, leaving the store to bear the burden. A trained insurance buyer could have avoided this unsuspected consequential loss by purchase of suitable product-liability insurance.

Similar instances of losses which can be avoided by careful insurance buying could be cited indefinitely.

The insurance manager does not, of course, eliminate the function of insurance broker or agent. The latter's services are used by the manager in an advisory capacity regarding forms or provisions of coverage; but the manager himself assumes the responsibility of determining the values and adequacy of coverage.

Close cooperation between manager and broker usually effects insurance economies. A case in point is that of a newly appointed manager who, after he had had a chance to organize his department, placed with a broker a number of contracts which had previously been placed directly with companies. The result was better coverage, and higher amounts at lower costs—with the same companies that had underwritten the previous policies!

Perhaps the most important contribution an insurance manager can make to the company employing him is in the matter of education—education along insurance lines throughout the whole organization, from top executive to lowliest laborer. Executives must be made to look upon coverage in terms of the possible losses involved, rather than in terms of rate reduction and even rate "chiseling." And employees must be made to realize that whenever they get an insurance check it is, in the long run, the company employing them which really pays the cost. Carelessness reduces drastically when the entire personnel realizes that an insurance indemnity means an added expense charge for the employer.

ALVIN E. DODD, President
American Management Association.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Redistributing the National Income

The policy behind dispersion of income is partly a desire to bring up the standard of living of the underprivileged and partly a desire to provide the mass distribution necessary to keep active our mass production and thereby increase the income of the country.

Taxation can do a great deal in the redistribution of the national income, but it would merely shift 30 per cent of the country's income from an upper bracket consisting of one-fifth of the income producers into a lower bracket consisting of 80 per cent. Indications are that a great part of that 30 per cent would be taken away mainly from people who are efficient at their jobs and earn moderately high incomes. Only a small fraction of it would be taken from accumulators, property holders, investors, and corporations which have failed to distribute as rapidly as they gathered income.

The cardinal thought in increasing national revenue is to take care of sufficient dispersion and prevent undue accumulation.

National resources

should be used in such a way as to effect a steady and continuous rise in the income of the country. The job is to level up rather than level down, for if the ultimate goal is to be reached, there must be a great deal more to distribute. By A. A. Berle, Jr. *The Yale Review*, Summer, 1937, p. 741:19.

Trends in the Technique and Tools of Management

A policy type of management is one of the trends of modern business technique and has been necessitated by the increasing size of the business unit and the increasing complexity of its operations. It is the responsibility of this type of management to foresee possible disasters and to keep the road ahead clear.

Another tendency in the methods of management is found in the rise of functional control. The authority which reaches down from the top through those in charge of departments, subdepartments, and sections is called line control. In practice this line authority has not proved equal to the task of coordinating all the operations of the increasingly complex

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

business enterprise. As a result it has been supplemented by functional control, a new type of authority which cuts across the departmental organization. The development of business statistics, business budgeting, and business accounting as tools of management has also been going on steadily for some time.

James O. McKinsey, in his book on *Managerial Accounting*, published in 1924, presents two general conceptions of the work of the controller. One view makes him a right-hand man to the policy executive and the other a right-hand man to the president or chief administrative executive. Such an arrangement assigns to the controller more work than it is humanly possible to perform. In setting up separate policy and administrative executives, a parallel separation of the functions of controllership is imperative. This separation is best accomplished by making the controller a staff man reporting to the policy executive and exercising functional control over all accounting and statistical records. The superintendent of records could then exercise line control over the department of records and serve as right-hand man to the president. By DR Scott. *The Accounting Review*, June, 1937, p. 138:8.

The Personal Element in Management

It is an unwarranted assumption that poor management reflects lack of intelligence and foresight. More often it entails the existence of a group of

people who are overenthusiastic, prejudiced or eccentric along certain lines—men who are otherwise intelligent and capable.

When the personal idiosyncrasies of a group of men engaged together in the common enterprise of running a business get the better of them, the result is friction, inefficiency and waste. Among the types of personal quirks are: the man who wants to get credit for everything, the person who refuses to take other people's judgment, the executive who adheres to outworn traditions, the man who carries family matters into business, and the extremely public-minded individual.

The best way to do away with the peculiarities of executive personnel is to establish a control to countercheck automatically any undue manifestation of personal eccentricities. Such a system is simply a method of setting up a tangible goal of achievement in each department of a company and for the company as a whole, and then checking actual performance against the goal set up. By George T. Trundle, Jr., President, Trundle Engineering Co. *The Cleveland*, June, 1937, p. 4:4.

Functional Control in Business Organizations

Business management today needs the aid of complete and dependable accounting records for functional control. Plans are built around functions. Prior to execution, consideration should be given to the probable effect of changes in policy. For in-

stance, if a change in sales policy is expected to increase sales by 20 per cent, the logical thing to do would be to obtain information from the accounting records as to the actual increase or decrease in sales from the effective date of the policy. The accounting records must, therefore, classify both income and expenses by major functions at least, so that comparisons may be made to indicate the effect of changes in functional plans.

Accounting records are also vital in controlling the efficiency of executives in charge of various groups of employees and in budgeting the expenditures of an organization. By Harry B. Mills. *Profit*, May, 1937, p. 1:2.

The Middle Way in American Industry

The problems before industrial leaders in the United States are on a scale unparalleled in modern times. Upon their solution depends the working of the system of free enterprise, not only in the United States but also in democracies throughout the world. For this reason, the next four years in the United States are likely to be as important to the world as the years preceding the Declaration of Independence. That Declaration had a profound influence upon the political system of the British peoples in the nineteenth century. A successful solution of the industrial problem in the United States will have an influence not less important upon the economic policy of the British peoples in the twentieth century, and upon all other democratic countries. By D. B. Cop-

land. *The Yale Review*, Summer, 1937, p. 689:14.

A Check-List for Plant Relocation

This check-list defines the following types of plant relocation: decentralizing, regionizing, flocking, individualizing, group facilitizing, unitizing, concentrating and migrating, and outlines the advantages and disadvantages of the given types of movement as applied to such company divisions as management, production, distribution, labor, and finance.

If a company follows this chart in deciding which of the types of relocation, or which combination of them, will best solve its particular problem, the subject of plant decentralization will be really simplified. By Edwin Laird Cady. *Forbes*, June, 1937, p. 16:2.

Who Pays for Unemployment Insurance?

Whether or not the Supreme Court upholds the unemployment-compensation provisions of the Social Security Act, some form of job insurance appears destined to become a permanent feature of the American system. If the present law is ruled valid, there is a possibility that Congress will substantially amend its provisions; if the Court rules otherwise, Congress will probably seek a different approach to the problem.

In either event, Mr. Shepherd maintains, business men must see that the demand for a system of alleviating the distress of unemployment is too urgent

to be ignored and they should now be suggesting methods which will be more satisfactory to them than the present law.

Employees as a class will bear the burden of the Social Security tax, although not for the reason generally given. Businessmen's chief reason for

complaint lies in the fact that the process by which the cost is passed on to the employees is a roundabout one and will work out very unevenly in the case of individual firms and even entire industries. By Henry L. Shepherd. *Barron's*, March 15, 1937, p. 7:1.

FINANCIAL MANAGEMENT

Operating Results of Department and Specialty Stores in 1936

Judged by the volume of business done and by the level of percentage margins and profits, 1936 was a year of prosperity for department stores. This is the outstanding conclusion to be drawn from this report.

The report emphasizes the fact that, the emergency of the depression being over, there should be time and energy for attention to the problems which were troubling department store executives when the depression came on and which, apparently, still exist. These problems include those relating to the levels of margin, expense, and profit rates; the position of the department store with reference to competing institutions; relations with customers; and relations with employees.

It is pointed out, however, that store executives must give attention also to the more immediate problem of how most successfully to take advantage of the present prosperity in order to strengthen their stores individually and prepare for the new de-

pression to follow. By Carl N. Schmalz. *Bureau of Business Research Bulletin*, Number 104, May, 1937. Graduate School of Business Administration, Harvard University. 38 pages.

The Investment Trust Comes Through

Investment trusts are again in the spotlight, being placed there by an examination conducted by the Securities and Exchange Commission, which is seeking all the facts before formulating regulatory legislation.

It has been found that approximately 1,500,000 investors hold investment trust securities in the United States today. The SEC study showed that, since the start of the movement, 1,077 trusts have been formed in the United States. Of these 777 were of the management type and 238 of the fixed or semi-fixed type; the rest comprised special investment plans that could not be generally classified.

Of the trusts organized, only 574 were still in business at the close of

1935. They included 392 of the general management type and 133 of the fixed or semi-fixed type.

The Commission found that the public had invested approximately \$6,500,000,000 in such trusts, but that the total value of the net assets of all trusts as of the close of 1935 was only \$2,400,000,000. Return of capital to investors accounted for approximately \$1,200,000,000 of this difference, leaving almost \$3,000,000,000 which the Commission implies is the loss suffered by the investing public as of that date.

There is some doubt as to the soundness of this figure for estimated losses, because it includes losses on a large amount of capital during declining markets, but credits profits during the upswing only on a smaller amount. In any event the combined depreciation of investment trusts was astronomical.

To appraise the record of investment trusts, the Commission dispatched a 90-page questionnaire to the 1,077 trusts of which it had record. Public hearings were held on more than 100 trusts, and more than 10,000 pages of testimony have been taken. No definite recommendations as to regulatory legislation have been made; but, in reporting its progress to Congress, the Commission said:

"The record convinces the Commission of the compelling need for comprehensive legislation regulating investment trusts and companies."

The Commission found little, if any, outright dishonesty in the con-

duct of investment trust affairs. It discovered a great deal of misplaced optimism and lack of financial judgment. But chiefly it found a chaotic clash of policies, principles, organization, and practices that is usually characteristic of any new and rapidly growing business. By Clifford R. Reeves. *Nation's Business*, July, 1937, p. 19:6.

Planned Maintenance and the Maintenance Budget

The cost of maintenance must be figured in the cost of the product and if maintenance is neglected, true costs are neglected and eventually larger bills and higher costs result. Therefore, the maintenance department is no longer the expense department but is the cost saving department in every plant in which it is effective.

At the Westinghouse Electric & Manufacturing Company at East Pittsburgh there is a full realization of maintenance problems. Perhaps the most important group in the whole maintenance set-up of this company is the maintenance inspection division, as its main duty and thought is the prevention of break-downs. The members of this group carefully inspect the buildings, light, heat and power facilities in every detail, handling everything that must be maintained. When any deterioration is noted, the inspector reports this situation and sees to it that the proper maintenance is made as early as possible.

The works engineering department, which has charge of the plant planning

and layouts, new building projects, architectural work, installation of all equipment, test floors, etc., reports to the superintendent of the maintenance department. The superintendent makes out a look-ahead budget which is reviewed annually for an appropriation to be carefully noted by the management and submitted to the executive organization for approval.

A complete record of maintenance costs is kept and maintenance superintendents make recommendations for replacement of the different units of

equipment which they feel are inadequate and on which the maintenance costs are considered too high. All equipment is built and constructed on capital accounts and the maintenance of this equipment will be rebuilt and maintained on expense accounts.

The author also describes a maintenance budget plan which is very effective if used to good advantage. By E. C. Brandt, Westinghouse Electric & Manufacturing Co. *Mill & Factory*, March, 1937, p. 59:11.

INSURANCE

Insurance abstracts are contributed by P. D. Betterley, Insurance Consultant, Assistant Treasurer, Graton & Knight Company.

Reformation of Contract by Cancellation

The owner of a trucking business obtained an oral promise from an insurance company to issue a motor vehicle liability policy. He was asked to call at the agency and sign an application for registration, but he did not appear for three days and in the meantime sustained an accident which was not disclosed. The insurance company cancelled the policy in an effort to reform the policy by changing the time when it became effective, according to report of the case when it was tried before the courts.

In its finding against the underwriters, the judicial court said: "The injured parties are made parties, and the reformation sought would, if granted, destroy their rights. . . ."

"When the company gave the certificate of insurance it became estopped to deny the issue or execution of a motor vehicle liability policy. . . ."

"The injured parties cannot be deprived of their right by reformation of the policy. . . ." *Insurance Decisions*, March, 1937, p. 378:2.

Editor's Note: It would be presumptuous to come to the defense of either party in this action, yet there are some interesting angles to be considered. If the applicant really intended to purchase the insurance as implied by his oral order before there was any basis for claims, then he had the right to expect protection under the policies finally issued. The exercise of a technical advantage by the underwriting company to accomplish a defeat of original intentions

is inexcusable. On the other hand, the applicant would have established himself more securely in the confidence of the insurers had he carried out the evident intent by promptly completing negotiations, and perhaps he was morally obligated to disclose the occurrence of an accident at the time of concluding the negotiations.

The circumstance has emphasized the mutual understanding that is necessary in arranging insurance contracts, to anticipate needs and arrange for written agreement before there may be any occasion for claims, for inevitable prejudices arise after loss occurs.

Embezzlement Coverage

In a court action involving collection under a Fidelity Bond, it was pointed out by the court that a mere loss occurring in connection with the duties of the bonded individual does not serve as a foundation for a claim, saying in part:

"The term 'embezzlement' has a technical meaning. It involves two elements; a breach of duty or trust in respect to property in possession, and the wrongful and fraudulent appropriation to the trustee's own use. The essence of the offense is the intent with which the act is done. That intent may be inferred from the doing of wrongful acts which will naturally and ordinarily produce loss, and the fact that the embezzler has knowledge of the causes from which such loss will probably result." *Insurance Decisions*, March, 1937, p. 384:2.

Editor's Note: The reader will find much of interest in the foregoing case, and when coupled with a careful study of his own fidelity bonds, may find that such bonds do not cover as many losses as he supposed. There is probably no kind of insurance as commonly used as Fidelity Protection, where there may be so many disappointments.

"Another Broker Told Me . . ."

One class of insurance buyer believes that the best results are obtained by constantly pitting one broker against another. If a new line of insurance is considered, the prospective buyer may say that another broker told him so and then proceed to give his own interpretation of what was said. Many times the words of the other broker have been so twisted around that they mean something entirely different. At least half of the difficulties arising in a broker's office are directly the result of statements made by customers or prospects.

Every qualified broker condemns the practice used by some insurance brokers of making extravagant claims of ability and efficiency in order to get the assured to hand over his insurance policies for analysis. It is not hard to find some inconsequential error and some points open to debate, but these points are often magnified.

The buyer of insurance is often justified in listening to some of the claims that are made, particularly when he has no way of proving the statements made without offering his own insurance as the subject for the

test. Constantly new developments are being made and the buyer, in order to safeguard his own interests, must keep abreast of the times, but he can do himself a grave injustice by listening to every prophet who wants to handle his insurance account. *The Insurance Broker-Age*, June, 1937, p. 12:2.

Editor's Note: The reader should keep in mind that the foregoing is a viewpoint of brokers, but it will be very helpful to him to get the viewpoint of the man with whom he is doing business. Unfortunately, the buyer often listens not wisely but too well.

Retrospective Rating Plan

Speaking before the National Association of Insurance Commissioners, Commissioner Mortensen of Wisconsin had this to say about the retrospective rating plan for workmen's compensation:

"It is not claimed that the retrospective rating plan, in its present form, is perfect and cannot be improved upon. It is claimed, however, that in its present form it does afford a practical and logical means of meeting the requirements of large employers in respect to determination of compensation insurance premiums; that it is actuarially sound and contributes to the solvency of insurance carriers; that it will facilitate the underwriting of certain hazardous types of risks which are usually considered undesirable subjects for insurance; that the small employer should not be sacri-

ficed. We need the small industries. Consequently, any plan that penalizes the small risks, or at most does nothing for them, is open to criticism."

Other very practical approaches to this problem by the Commissioner will be found worth reading; also, the viewpoint of Commissioner DeCelles of Massachusetts, where the retrospective rating plan was first given a trial. *The Eastern Underwriter*, June 25, 1937, p. 38 and 42:2.

Who Embezzled—Why and How?

In an effort to throw light on defalcations and the extent to which a going concern may be endangered, the United States Fidelity Company made a study of actual cases.

One outstanding fact uncovered by the survey was that while the employers had bonded the defaulting employee in the 1001 case histories analyzed, the losses sustained were nearly 90 per cent greater than the amount of the protection which had been considered sufficient. The actual figure involved was \$2,922,316, representing the extent to which the employers erred in judgment regarding the hazard of embezzlement.

The causes given by the defaulters were varied but it was pointed out that lax supervision was at fault occasionally, and it was predicted that under more favorable circumstances stricter safeguards would have kept them honest.

A copy of a booklet "1001 Embezzlers" may be obtained without charge by writing to the above guaranty com-

pany or *The Insurance Post*. *The Insurance Post*, April, 1937, p. 7:2.

Editor's Note: Reading the foregoing induces some interesting reflection. To what extent are employers responsible for defalcation by permitting tempting opportunities? Would there be as many defaults if operators of business carefully analyzed the conditions? In all probability they would observe the hazards and take steps to correct them.

Unauthorized Insurance Is Problem

The committee on unauthorized insurance of the National Association of Insurance Commissioners agreed at their recent meeting on a bill to be

presented to Congress which has for its object the prevention of fraudulent and unsound insurance schemes, contracts and practices and the use of the mails in furtherance thereof. Under the proposed bill it will be unlawful for any insurance company to solicit insurance through the mails unless such insurer is subject to the supervision of the insurance department of the state in which it was organized, and of any state in which it might have its principal office. But this shall not serve to prohibit where solicitation by a personal representative would not be in violation of the laws of the state in which the risk is located. *The Weekly Underwriter*, June 26, 1937, p. 1429:2.

OFFICE MANAGEMENT

The Office—Make It Pay

This is a list of recent books and periodicals covering the field of office work. It is divided up into groups for the office manager, the business letter writer, the secretary, the stenographer, the typist, the office machine operator, the file clerk, and the receptionist. *Business Information Bureau, Volume 8, Number 3*, Cleveland Public Library, June, 1937. 4 pages.

Social Security Reports on Recordak

One of the New York stores has found a new use for its Recordak equipment. The forms for reporting under the New York Unemployment

Insurance Act do not lend themselves readily to copying through carbon and the typewriter. So the store is making the one copy and keeping a duplicate record on the Recordak film. *The Balance Sheet*, May, 1937, p. 14.

Control System Develops Regular Customers

The customer-control policy of a certain store has been largely responsible for increasing the monthly volume of sales with individual customers. Through the cooperation of the salespeople in all departments, this store has built up a file of several thousand customers' names for follow-up work.

Each record card shows the cus-

tomer's name and address, the articles which he buys most frequently, what prices he tends to favor, and any pertinent information on his individual buying peculiarities. The patron is followed up from his card in two ways—by telephone and by letter or printed folder. The telephone calls are made on receipt of new merchandise which the customer is likely to be interested in and a folder is usually sent to notify a patron of advance sales events. By George Skinner. *Chain Store Age*, July, 1937, p. 28.

When Your Mailing List Gets Senile

What would you do if you went to your mailing list and pulled out card after card at random, only to find that most of them were old, that many of the names had passed out in the great disaster (depression), and instead of a mailing list you had just a mess of old cards?

An easy and economical way to check on the one point of whether or not the mail is reaching its destination is to send out a government return postcard stating that you are checking your mailing list and asking that the form on the other half of the card be filled in and returned. If the cards are not delivered you can arrange to have them returned to you by the post office by paying return postage as in the case of third class matter, by printing under your name and address on the address side: "Return Postage Guaranteed."

Checking whether names belong on

the list at all is the hardest job. Send cards to salesmen and distributors to be checked. Also ask them for new names. For this, a handy printed form will prove well worth its small cost.

Telephone directories provide an easy and accurate means of checking. Some manufacturers have their salesmen send in telephone books. Send typewritten lists to postmasters in small cities with request to check and cross off names of firms which have gone out of business or people who have left town. While this service is a courtesy on the part of the postmasters, they are usually willing to check, but they are not allowed by the department to add new names.

Here are a few possible sources for obtaining new names: Trade directories; trade papers; exchange of prospects—some manufacturers exchange prospects with others in non-competitive lines; reference books; government, state and local records. By C. B. McCuaig. *The Office Economist*, May-June, 1937, p. 5:2.

A Simple System for Keeping Track of Vital Correspondence

A system for keeping track of vital correspondence, which was devised by a certain accounting concern, prevents errors and insures against oversight.

Under this plan, a stamp is placed on all incoming correspondence. This stamp also prints a line for the name of the person to whom the letter is to be referred and a line for his initials. A carbon copy of each out-

going letter is pinned to the related correspondence and is given to the dictator with the original letter. Immediately after signing the letter, the dictator initials this carbon and any other material which he wishes to have filed.

Each day, all letters received by the company, as well as carbon copies of all material sent out during the preceding day by the entire office staff, are delivered to the correspondence inspector. It is his duty to make sure that each of these papers bears the initials or personal stamp of some member of the organization. He also makes any necessary notations for the following up of a letter on forms which are provided for that purpose.

These forms are immediately filed in a "tickler." Every morning the inspector removes from the tickler all the follow-up forms in that day's division and looks up the filed correspondence to which each form refers, to see whether anything relating to the matter has been filed since the form was made out. He then either takes the proper action himself or refers the matter to some official. By Waldo Hutchinson. *The Office Economist*, March-April, 1937, p. 6:2.

Defends Secretaries

Dr. S. N. Stevens, director of University College, Northwestern University, in his address before the N. O. M. A. annual meeting in June, 1937, said that one-third of office dismissals are due to bosses' faults. He told the office managers that they had no

standard for determining a proficiency level, and that as a class they have done virtually nothing to develop secretaries after they go to work.

After hearing Dr. Stevens' talk, most of the office managers agreed that the boss often blames his helper for things he himself is responsible for, and all of them agreed that the secretary who combines ability to get along with people with the ability to transcribe many letters daily is worth more than the secretary whose ability on either side far exceeds her ability on the other. *Business Week*, June 19, 1937, p. 37:2.

Speeding Up the Mails

There are several things that all mailers can do toward expediting mail by their own efforts. The most important is the one which too many mail rooms and mailing clerks overlook. A copy of the closing schedules of the local post office should be obtained; the outgoing mail of the firm should be studied carefully and over a sufficient period of time to get an accurate picture of its average geographical distribution and volume—then a study of production of this mail should be made to set up a practical plan for conforming this production as closely as possible to the closing schedules of the local post office, for at least the major or more important portion of the firm's mail.

Advancing the preparation and mailing of a letter, catalog, or package, in your office by two or three hours may advance its delivery by a whole day. A study of this problem

recently has disclosed an astonishing number of firms which do not employ post office closing schedules in dispatching mail. The closing schedules are the neck of the bottle—mail can move only when there are trains, boats, and planes available to move it. Meet these schedules and mail will move faster.

Three other important items are: proper "covers"; proper addressing; proper postage; and properly made out postal forms, if such forms are to accompany the piece of mail. *The Office Economist*, May-June, 1937, p. 12:1.

Cost Analysis of Office Expenses

Before the installation of the system described by the budget officer of the National Broadcasting Company, Inc., the office executive, unlike the program or sales executives, had little or no real information concerning items charged to his department. The plan has now been in operation for about a year and has already produced worthwhile results. There is

evidence that department heads are much more aware of, and interested in, their share of service department costs. The analysis has emphasized strongly the high ratios of service department expense to operating department expense. The management now has more accurate information about true operating costs. In addition, the plan has been of real assistance to the head of the general service department, primarily because it enables him to determine reasons for expense fluctuation.

The fundamentals of the plan, as well as its operation, are simple. Only directly traceable costs are charged to operating departments; only direct costs of labor and material are included in the cost analysis; and the operating departments are charged only for services which they order. The procedure followed for accumulating general service department costs to be charged to operating departments is described. By John H. MacDonald. *Executives Service Bulletin*, Metropolitan Life Insurance Company, June, 1937, p. 7:2.

PRODUCTION MANAGEMENT

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Credit Unions

Through their federally chartered credit unions the working people of America have loaned themselves over \$25,000,000 in three years, according

to C. R. Orchard, Director of the Credit Union Section in the Farm Credit Administration. In the great majority of cases the worker borrows either to clear off harassing debts or

to serve some family need such as that for medical care.

The loans have averaged about \$65 in size, but this average steadily increases as the credit unions grow older and build up their resources. In the older state-chartered credit unions the average loan is around \$150. Since the Federal Government began chartering credit unions they have made over 350,000 loans to their members, the maximum interest charge for which has been 1 per cent per month on unpaid balances. So great is the demand for this service that all but a small part of available funds are kept loaned out the year around. *Press Service No. 8-95*, Farm Credit Administration, June, 1937.

The Kansas Labor Market with Special Reference to Unemployment Compensation

The efficient administration of an unemployment compensation law will require a comprehensive knowledge of such characteristics of the labor market as the number and distribution of employers and workers, wages earned, the extent of seasonal and part-time labor, turnover, migration, employment trends, and unemployment, by industries and localities. This study is offered as a preliminary survey of this field in Kansas. It is necessarily impressionistic, but it does reveal something of the characteristics of the Kansas labor market, and points to problems which later must be carefully studied. By Domenico Gagliardo. *Bulletin of University of Kan-*

sas, Humanistic Studies, Volume VI, Number 1, 1937. 71 pages.

Experience with Silicosis Under Wisconsin's Workmen's Compensation Act, 1920 to 1936

Occupational diseases, including silicosis, have been under the Workmen's Compensation Act in Wisconsin since 1919. As a result, Wisconsin is the only state with a long and continuous experience of compensating silicotic disability. During the 17-year period surveyed in a study of Wisconsin's experience, many important questions have been answered by the courts, necessitating amendments to the compensation act. Preliminary statistical data show a heavy concentration of claims during 1933 and 1934, due partly to unemployment and partly to the fact that as a result of subjecting employees to medical examinations many of those with symptoms of silicosis were discharged, although most of them were not disabled. By Max D. Kossoris. *Monthly Labor Review*, May, 1937, p. 1089: 13.

Collection of Wage Claims by State Labor Offices

The wide extent of the practice of withholding wages when due, and the inadequacy of legal machinery for the collection of wage claims, are again emphasized by the results of an inquiry just completed by the Bureau of Labor Statistics. Encouraging features, however, are the record of excellent work done by state labor of-

fices operating under progressive wage-collection laws, and even by some labor offices without power to enforce settlements; and the fact that legislation on behalf of workers with small wage claims is now being considered in a number of states. By Mary T. Waggaman. *Monthly Labor Review*, May, 1937, p. 1102:8.

Employment in the Engineering Profession, 1929-1934

The number of persons in the engineering profession increased by 25.3 per cent over the five-year period ending December, 1934. This was much in excess of available engineer-

ing employment opportunities. These opportunities differed markedly among the professional classes. Of all engineers who reported being professionally active prior to 1930, only 46.2 per cent were in the employ of private firms in 1934; in 1929, 62.2 per cent were so engaged. Federal Government employment provided for 10.1 per cent in December, 1934, while in 1929 this field gave employment to only 5.3 per cent. The net new private firm employment that developed between 1930 and 1934 was secured by newcomers who entered the profession in this period. Prepared by Andrew Fraser, Jr. *Monthly Labor Review*, April, 1937, p. 859:16.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

Wage and Hour Regulation

If the Black-Connery Bill becomes a law it will directly affect every important industry in the country, with the exception of agriculture. This bill would set up a Federal Labor Standards Board to determine "fair" wages and hours for virtually every industry in the United States and alter its findings either upwards or downwards according to changing circumstances. The second section of the bill deals with child labor and the third section is concerned with interstate commerce regulations.

The available information on wages and hours compiled by the Bureau of Labor Statistics can give no more

than a glimmering of those that will be most affected by the first section of the Black-Connery Bill. Definite knowledge of specific industries and companies will have to wait the time when it is known how many workers there are and how many make less than the set minimum of 40 cents an hour. This, in all probability, will be only known after the Federal Labor Standards Board has actually been set up and announced its findings after long and costly investigation.

If only the Black-Connery Bill had confined itself to the elimination of child labor or to the curbing of certain abuses on the part of employers in the matter of labor spies, guards,

and the like, it would not be so objectionable. However, in the enormous powers that Senator Black and Representative Connery would convey to a government agency to fix different minimum wages for different industries, located in different sections of the country and to *alter them from time to time*, it is a drastic and dangerous piece of legislation. By Henry L. Blackburn. *The Magazine of Wall Street*, June 19, 1937, p. 292:3.

The "Common Law" of Industrial Relations

Particularly in view of the United States Supreme Court decisions upholding the Wagner Labor Relations Act, the problems connected with the development of a "common law" of industrial relations are worthy of attention. If the encouragement of collective bargaining is to remain an established part of public policy, what does it imply? What is collective bargaining? To what extent and in what particulars are the rights of labor increased and the freedom of the employer restricted?

In finding answer to these questions, the author of this article reviews the volume *Labor Relations Boards*, by L. L. Lorwin and A. Wubnig, published by the Brookings Institution in 1935. The Labor Relations Act of 1935 was built upon the experience of these early boards and incorporates much of the "common law," as developed by the Labor Boards, into the law of the land.

The "common law" of industrial relations, as developed by the National

Labor Board and the National Labor Relations Board, the experience upon which the Wagner Act rests, follows:

1. It was unlawful for an employer to impose on his workers any scheme of collective bargaining against their will.
 2. Workers were lawfully free to choose between representation by trade unions or company unions.
 3. The government was to settle representation controversies by elections or by other means of ascertainment.
 4. The labor boards were to define appropriate units for collective bargaining in all cases where questions of this nature were raised.
 5. The labor organization, which commanded a majority of the voters among the employees engaged within the collective-bargaining unit, was entitled to certification as the employees' representative.
 6. The employer was obliged to "recognize" representative labor organizations; that is, to negotiate with them in good faith.
 7. Employers and employee representatives alike were bound to "exert every reasonable effort" to make and maintain collective agreements.
 8. No employer was to lay off, discharge, or otherwise discipline his workers for their union membership or activities.
- These principles have been incorporated into the Wagner Act. That Act makes it an unfair labor practice for an employer: 1. "To interfere with, restrain, or coerce employees in

the exercise of their rights" to self-organization and to collective bargaining. 2. "To dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it." (Contributing financial or other support was used as a criterion of interference by the National Labor Relations Board, the "second" NRA Board.) 3. "To discriminate in regard to hire or tenure of employment" or any condition of employment (with

a proviso protecting the closed shop). 4. To discriminate against an employee for giving testimony under the Wagner Act. 5. "To refuse to bargain collectively." (The duty to bargain collectively on the part of the employer is, in reality, implied in the right of workers to so bargain.) The Wagner Act also gives labor the specific rights to self-organization and collective bargaining. By E. R. Livernash. *Mechanical Engineering*, June, 1937, p. 435:3.

Benefit Systems and Incentives: Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership

Better Than a Bonus

The writer of this article, who is the president of a large mining corporation, tells of the method used by this corporation to share profits, which provides additional compensation in proportion to dividends paid to stockholders.

The directors have agreed to set aside, during 1937, a number of shares equivalent to approximately 9 per cent of the present outstanding stock to be placed in a fund for distribution on December 15, 1937, among the qualified men in the corporation's employ as additional compensation for their services during the year.

The board of directors adopted the six-month period for qualifying to share in the fund as a probationary period during which a man may demonstrate his loyalty and efficiency.

Management reserves the right to determine the qualifications and classification of all its employees, and its judgment will be final. By E. L. Oliver, President, Idaho Maryland Mines Corporation, San Francisco. *Factory Management and Maintenance*, February, 1937, p. 49:1.

Keeping Books on Social Security

Every employer should install an effective system of recording Social Security data. The loose-leaf system is preferred over the card method because it is safer. A competent method of operating payroll tax records is by replacing the present payroll system in part. The existing payroll or time sheets are retained for computing wages and salaries and these amounts are then entered with the taxes on the Social Security payroll tax record.

Every employer must have these four payroll tax forms: history record, employee's weekly income record, payroll tax summary, and payroll tax receipt. *Mill Supplies*, April, 1937, p. 21:3.

Profit Sharing Is Probably Not the Thing to Do

Phoenix-like, the idea of making enterprisers out of wage-earners is arising from the ashes of disillusionment. Managements are again making the mistake of assuming that workers, like themselves, are pioneers at heart.

It is a basic principle of the capitalistic system that the risk-taking function is assumed by the enterpriser. As a reward for risk, the enterpriser receives profits—a non-contractual share. The wage-earner has traded his claim upon windfall returns for a stable income which approximates a moving average of his value to his employer's business.

Profit-sharing tends to accentuate the swing of wage-earner incomes. Instead of moderate, steady increases in wages which can be sustained in the face of minor business recessions, under profit-sharing emphasis is shifted from wages—the more stable element in compensation—to the supplementary bonus. For this reason, base wages are likely to advance less rapidly. Meanwhile the worker comes to expect the continuance of the bonus payment and adjusts his living standard accordingly. When business recession comes, bonuses quickly disappear and a retarded base wage fails

to sustain a continuance of the new level of consumption. Along with the resulting economic reversal comes an undermining of confidence in the efficiency and sincerity of management.

Instead of profit sharing and rapid alterations in wage levels up and down, industry can smooth out the swings. Among the practical steps for smoothing out worker income are: spreading potential bonuses into wage levels that can be sustained despite minor recessions; extending the salary basis of payment to as many employees as possible; increasing appropriations to pension reserves to meet accrued liabilities and current charges; establishing funds for sickness, invalidity, and unemployment benefits supplementing governmental programs.

The payment of wage bonuses contingent on profits is at best an unsettling procedure. Such arrangements do not lend themselves to joint agreements in which wage scales are fixed through collective bargaining for a period of time. Expectations are aroused, which when fulfilled may bring the accounting procedures of the employer into question, since few workers, or supervisors for that matter, can weigh precisely all the factors that affect current profits. Wage levels set as broad plateaus, rising and falling moderately with the moving average of business proceeds, are much more conducive to collective bargaining based on an intelligent understanding on the part of rank and file employees, their representatives, and the general public. *Factory Manage-*

ment and Maintenance, May, 1937, p. 51:5.

Industrial Pension Systems in the United States and Canada

This memorandum presents developments in industrial pension plans for the period 1931-1934 and supplements the study *Industrial Pension Systems in the United States and Canada*, published in 1932. Questionnaires were sent to certain companies and the 145 that replied, according to available information, employed a vast majority of the persons covered by formal

plans and their experience consequently may be regarded as representative. The scope of the study was broadened by inclusion of data for railroad plans taken from the annual reports of the Interstate Commerce Commission and of information for reinsured plans supplied by the insurance companies.

The experience is presented separately for the various groups. First, is considered the questionnaire material; second, recently established plans; third, railroad plans; and last, reinsured plans. Report from the *Industrial Relations Counselors*, 1936. 29 pages.

Training and Education: Schools, Libraries, Employee Publications

Executive Training

Effective executive training depends primarily upon the sincere interest and backing of the president and other top executives. It depends also upon the careful working out of a sound organization structure and upon the making of provisions for coordinating the various units and positions which comprise that structure. Finally, it depends upon the careful planning and the continuous follow-up of the actual training of subordinates for which the line executives must be responsible. The training specialist can be of assistance to the extent that he helps the line executives plan and execute the training of their subordinates. By Harold B. Bergen, Director of Industrial Rela-

tions, The Procter & Gamble Company. *The Society for the Advancement of Management Journal*, May, 1937, p. 66:5.

Labor Shortage? Not Here

The reason why this company has no skilled labor shortage is because it runs an apprentice school and can boast that every man who ever went through the apprentice school is working for the company; because it is the kind of a place that the skilled workers describe as a "swell place to work," and because they have a wholesome employee relations program.

They describe their personnel policy in these few sentences: "We try to select people of the desirable sort, preferably those with ambition and

ability. We try to make it easy for them to fit into whatever niches seem to them individually most attractive. We try to pay wages a little better than the market. Beyond this, we try to keep ourselves out of the workers' affairs." By Arthur Van Vliissingen, Jr., Consulting Editor. *Factory Management and Maintenance*, January, 1937, p. 50:4.

Solving the Skilled Labor Problem

In 1933, the superintendent of a certain middlewestern plant, reasoning that a skilled labor shortage was in the making, decided to adopt a system for obtaining skilled workmanship. When he started to put the plan into effect, he found that it would be better to discard all paper work except essential records. In this way a boy apprentice could progress in accordance with his own ability and ambition, and an increase or decrease in wages would be considered whether it was requested or not.

Applicants for this plan were sorted from among technical high school boys and young men who were financially unable to finish college. If the interview with the superintendent was successful, the boy was hired like any skilled hand would be and sent to the foreman of the department where he could make his best start. He was given important work to do from the start, knowing that in four years or less he could be a full-fledged craftsman and that if he could pass the probation period satisfactorily, further advancement

would come as quickly as he might earn it. Since the system was put into effect, there have been only ten requests for more pay, and in that time the company has voluntarily given 1500 raises on merit.

It was found by investigation that 95 per cent of the boys undergoing this training plan were taking advantage of night courses. The mental caliber of these young men, both apprentices and craftsmen, is well above that of the average skilled hand taken in the open market. *The Iron Age*, April 8, 1937, p. 26:4.

High School Boys Are Becoming Craftsmen

If vocational high schools and industry will work together in the right spirit, one of our industrial problems is near solution.

An example of a high school which is successfully cooperating with industry is the J. Sterling Morton High School of Illinois. Selection for useful employment begins in the grade schools where the boys are questioned as to desires and ambitions. Therefore, they reach high school following the path they have selected.

Although selection is thorough, the vocational division has enrolled 1700 boys out of a total high school enrollment of 6300. All boys selected for machinist work or tool-working have their tryout for one semester in the general metal shop and one semester in machine shop in what is termed the industrial arts division. From this division they are selected and directed into

the specific vocational training which they desire and for which they are best adapted.

When a boy leaves the Morton industrial vocational training course he is fully prepared to enter an industrial apprenticeship course, and the Pershing Avenue plant of the Link-Belt Co. offers a splendid opportunity for capable boys who have been trained in the Morton High School or other cooperating high schools.

The boys are put in the shop for a tryout. From this trial period come those who are chosen to take a four-year apprenticeship course in which they *learn the business*. If a boy selects the foundry, and if he has the necessary qualifications, he is taught and practices not only the mechanics of cupola, floor and core work, but he also delves into planning, costs and the like so that he can take charge of important work.

Further, if a boy shows special ability he can take, under the company's direction, a two-year post-graduate course where he specializes on cost analysis and all allied subjects which definitely fit him to operate a department, or manage a plant. It is evident that boys who have been hand picked and weeded out from the eighth grade and who reach a post-graduate course in an industrial plant are the best material available. They are thoroughly trained young men who can offer the best of service to the company for many years to come. *The Iron Age*, March 18, 1937, p. 38:4.

Program for Prevention and Compensation of Silicosis

About 1,000,000 workers in the United States are exposed to the hazard of silicosis and approximately 110,000 of these actually have silicosis in some degree. Reports made by four technical committees, appointed at the first National Silicosis Conference in April, 1936, deal with the prevention of this disease through medical control and through engineering control, with the economic, legal, and insurance phases of the problem, and with the regulatory and administrative phases. *Monthly Labor Review*, April, 1937, p. 909:6.

Improving the Employer-Employee Relationship

Employer-employee relationship means the mutual understanding of the problems of the two groups. The employer is responsible for achieving a better relationship; arousing loyalty and interest and making the employee want to work is the heart of the manager's problem.

Such attitudes as failure to recognize human nature as it is, the paternal attitude that the office is a necessary evil, the "mechanistic" attitude, the "king" complex, and anti-social-mindedness are all obstacles in the field of employer-employee relations.

In order to achieve sound personnel relationships, it is necessary to have the interest of top management for sound personnel policies and to organize for employer - employee relationship. If properly selected and trained employees receive fair wages and fair dealing and

are permitted to discuss their grievances through a system of joint employee relations, employers will find that their personnel program will run along quite smoothly. By Dr. R. P. Brecht. *The Balance Sheet*, March, 1937, p. 9:3.

A Model Trade School

The Ford Motor Company took precautions against the eventuality of a labor shortage as far back as 1915 when the Ford Apprentice School was established. Since that time a Trade School and a Training School have been added with a normal attendance of 4,400 students.

Boys from 12 to 20 years old are enrolled in the various schools and are paid from 15 to 90 cents an hour. Courses run from three months to four years. All work done in the shops is productive. Other details are given. *Nation's Business*, May, 1937, p. 28:1.

Listen to Your Men and Save Money

This article tells of the many good suggestions for plant improvement which are offered at the informal meetings of the mechanics and workmen of the Standard-Knapp Corp. By listening very carefully to the suggestions made by the employees and by encouraging them to express themselves with the utmost freedom, the organization profits.

One of the many money-saving suggestions mentioned was the request for a new ratchet wrench. This tool was obtained for less than \$5.00, but it saved

from two to four minutes on every lag screw it drove into the skids upon which the machines were shipped, and so paid for itself within the first month after it was in use. By Wallace D. Kimball. *Mill & Factory*, March, 1937, p. 51:6.

Pay-Check Messages

Comparatively small companies might well adopt the method used by the Bear Photo Service of San Francisco, California, in the interest of better relations between employers and employees. This company, which employs approximately one hundred workers, issues a one-page mimeographed house organ which is attached to employees' pay checks on the first of each month.

Each issue of the house organ, appropriately named the *Cub*, follows the same pattern. It consists of an editorial on some subject of general interest and value to all workers, a brief write-up of one member of the group of employees, and a number of short "personal" items about various employees of the company.

For instance, one issue started off with an editorial on the subject of wage garnishment which contained some sound advice on how to avoid such an embarrassing situation. The biographical sketch which followed concerned the woman in charge of the cutting department who had been born in Silesia and lived in France, Belgium, Holland and Germany before coming to the United States. The personal items concerned births, deaths, illnesses, marriages, staff addi-

tions, notices of meetings and a bit of friendly gossip.

According to Albert A. Hansen, president, the house organ, although

simple and inexpensive, does much toward promoting harmony within the organization. *American Business*, June, 1937, p. 61:1.

MARKETING MANAGEMENT

How to Rate and Judge a Prospective Sales Agent

A general method for rating a prospective sales agent, which has been found to work satisfactorily for several manufacturers, involves sending a form letter to each of the prospects selected telling him about the manufacturer and his products and asking him if he would like to handle the account. If the prospective agent replies indicating an interest, he is asked to supply the manufacturer with complete information as to accounts handled, sales experience, territory covered, etc.

When this information has been received, the manufacturer checks his prospective salesman on the following points: his ability as a salesman, his ability to finance himself while covering his territory, the type of buyers he has called on, the lines of merchandise he has handled, the rate of commission he has received, the character of the companies he has represented and the length of time their products have been handled, and his relationship with present accounts. By John H. Frederick, Assistant Professor of Marketing, University of Penn-

sylvania. *Sales Management*, June 15, 1937, p. 1170:2.

New Ideas for Store Hours

According to *Women's Wear Daily* of May 17, William Strickland, Secretary and Controller of the Johnston Shelton Company, Dayton, Ohio, has advanced the idea that stores should adopt banking hours, opening at, say, 10 o'clock and closing at 3 or 4 o'clock in the afternoon. The employees could come to work at 9 A.M. to arrange their stock and after the closing hour make stock counts and perform similar duties. Mr. Strickland is of the opinion that this plan would be beneficial to all, for the morale of the employee would be enhanced, and the employer would gain in production.

"This department store business," Mr. Strickland said, "is running at a breakneck speed. It is at a fast and furious pace, and the tempo is enough to burn out the best human dynamo. We ought to get down to a saner basis.

"The public will spend its money in an hour or in 10 hours, and the way the public wanders in and out of

the stores now, there is little wonder that there is difficulty of closing at 5:30. . . ." *The Balance Sheet*, May, 1937, p. 22:1.

How Goodrich Pre-Tests Sales Ideas for Independent Tire Retailers

Merchandising ideas and methods are originated, tested and perfected in the Goodrich Silvertown Inc. laboratory and are then passed on to independent Goodrich dealers for their profit.

The successful operations in installment selling, which the Meisel Tire Co. of Cleveland used, were investigated and the laboratory force set about to adapt that system to the general needs of Goodrich dealers. The first move was to select a man to be trained as supervisor of the plan. The sales forces of six Goodrich stores in widely separated areas were then schooled with regard to the new method. After the new budget-pay plan had been proved, it was put in operation in more Goodrich stores, under the supervision of the men who had already been trained along this line. Today the plan is working successfully in Goodrich stores and has been extensively adopted in tire retailing everywhere.

Goodrich Silvertown Inc. also cooperates with dealers who are not in their retail set-up—dealers whose businesses are entirely their own. Advertising plans, merchandising aids, and other effective selling methods have been tested and proved by this labora-

tory and have been offered to retailers at cost—an extremely low one because of the volume produced. By J. A. Hogan, Manager, Retail Division, B. F. Goodrich Co. *Sales Management*, June 15, 1937, p. 1150:2.

Successful Branch Management

It is the aim of the Autocar Co. to operate a successful business which must reach its market through its branches. The real heart of the sales problem of this company is the branch manager. Around him, any successful system of motor truck branches must be developed. He must be not only a sales-minded manager of salesmen, but he must also possess a working knowledge of transportation problems, of motor truck engineering, and, above all, he must have good business judgment.

Responsibility for branch operations is turned over to branch managers to a degree which is perhaps greater than that permitted by any other chain system. It is the ideal of the Autocar Co. in this policy that its branches and its factory are a voluntary association of capable executives united in a personal desire to serve the business and to cooperate with each other fully, freely, and unselfishly to that end.

It is important that contacts among branch managers be maintained. Such essential contacts are constantly renewed by means of monthly meetings which some of the branch managers attend. In the course of any year each of them gets to the factory several times. In addition, there are fre-

quent visits to the branches themselves by those factory men who are in any degree responsible for branch operations, and all of the managers know that if any factory specialist is urgently needed at any branch, he will immediately respond to any quick call for help. By R. P. Page, President, Autocar Co. *Office Management*, May, 1937, p. 14:3.

The Part of Statistics in the Business of Marketing and Distribution

The technique of distribution is primarily a matter for the heads of commercial enterprises, large and small. Governments and research institutions can, however, materially assist them by placing at their disposal adequate statistical data. This brochure shows why such data are needed and how they can be put to effective use when obtained. Prepared by F. C. Mitchell, Deputy Managing Director of the London Press Exchange. International Chamber of Commerce, Paris, France. 15 pages.

Marketing Research, Its Function, Scope, and Method

The time has come for a synthesis of the special studies which have been made in marketing research in order to show the economic significance and the scientific nature of the subject, and to indicate its proper place in the broader fields of social science and of business controls. These are the objectives of this study.

First, marketing research is related

to economic theory, to show that it is greatly needed if our economic system—for that matter any economic system—is to function effectively. Next is presented a broad analysis of the sales executive's task and of the manner in which marketing research is used in the individual business enterprise. This includes a classification of marketing research studies. Finally, scientific methods and their applicability in the solution of marketing problems are considered in some detail. By D. M. Phelps. *Michigan Business Studies, Volume VIII, Number 2, 1937*. University of Michigan, 1937. 149 pages.

Export Policies of American Manufacturers

The author, Professor Southard, taking the answers of the questionnaire which he sent out to a large number of American exporters as a basis of authority, discovered that there is little uniformity in the export policies of the American manufacturer.

The greatest diversity of practice was found in the factor of terms of sale. When risks are good and markets are "free," 30 to 100 day time drafts with documents on acceptance are the most popular terms, with open account a strong second. If, although credit risks are good, exchange restrictions become alarming, exporters tend sharply to tighten up on terms of sale. In this case, documents on acceptance time drafts drop to third

and open account to fourth place in order of prevalence, while cash (either with order or under letter of credit against shipping documents) and sight drafts with documents on payment, assume first and second place.

When the risk is doubtful, the terms of sale offered by American exporters of manufactured goods apparently depend largely on the presence of or absence of exchange restrictions. If the exchange market is "free," about half of the manufacturers will sell to some customers on sight drafts,

documents on payment, although slightly more will require, at least from buyers, either cash with order or cash against documents under letter of credit. About 15 per cent will go further. If the additional worry of uncertain exchange is added to a doubtful credit risk, 84 per cent of the replying firms either demand cash or withdraw from the market. Few will sell on any other terms. By Frank A. Southard, Jr., Assistant Professor of Economics, Cornell University. *Credit and Financial Management*, May, 1937, p. 14:2.

BOOKS RECEIVED

WHAT IS AHEAD OF US? By G. D. H. Cole, Sir Arthur Salter, Wickham Steed, Sidney Webb, P. M. S. Blackett, Lancelot Hogben. The Macmillan Company, New York, 1937. 192 pages. \$2.00. Six experts here predict the future of capitalism, of Soviet communism, of dictatorships, of economic nationalism, etc. Each one has selected a particular field of inquiry and gives his opinions on the probable trend of affairs.

CYCLOPEDIA OF INSURANCE IN THE UNITED STATES, FORTY-SEVENTH ANNUAL EDITION. Edited by G. Reid Mackay and S. B. Ackerman. The Index Publishing Company, New York, 1937. 840 pages. \$3.00. An up-to-date and helpful handbook on the insurance business in the United States. Indispensable for those closely concerned with insurance.

WRITING FOR PROFIT. By Donald Wilhelm. McGraw-Hill Book Company, New York, 1937. 386 pages. \$3.00. A symposium of opinions and advice on the business of writing. It touches upon such fields of literary activity as newspaper work, publicity, fiction, advertising, syndicate writing, motion pictures, and the radio.

A PREFACE TO ADVERTISING. By Mark O'Dea. McGraw-Hill Book Company, New York, 1937. 216 pages. \$2.00. A collection of essays which appeared for a year as short articles in *Printers' Ink*. Advertising copy is the central theme of the essays. The volume is thoughtful and inspirational.

THE UNITED STATES IN WORLD AFFAIRS IN 1936. By Whitney H. Shepardson in collaboration with William O. Scroggs. Harper & Brothers, New York, 1937. 312 pages. \$3.00. Sponsored by the Council of Foreign Affairs, this volume gives an over-all picture of the part of the United States in world affairs in 1936. It describes the conditions that prevailed during the year and discusses such topics as American relations with China and Japan, and the Inter-American Peace Conference.

BANKING AND THE BUSINESS CYCLE. By C. A. Phillips, T. F. McManus, R. W. Nelson. The Macmillan Company, New York, 1937. 274 pages. \$2.50. Points to an understanding of the banking and financial events of the War and post-War period in respect to their relation with the Great Depression.

A WORLD IN DEBT. By Freeman Tilden. Funk & Wagnalls, New York, 1936. 348 pages. \$2.50. A witty, practical book explaining in understandable language the nature of debt. It takes up such questions as whether booms and panics are inevitable, whether any government is a good debtor, and whether posterity pays the debts of government.

VITAL PEACE. By Henry Wickham Steed. The Macmillan Company, New York, 1936. 346 pages. \$2.75. This volume discusses the minimum requirements for the organization of a warless world, and then goes on to define peace as "constructive international helpfulness in a world beyond war." The author envisages a fundamental revaluation of old values and concepts.

PRIVATE LONG-TERM DEBT AND INTEREST IN THE UNITED STATES. By Leonard Kuvin. National Industrial Conference Board, New York, 1936. 138 pages. \$2.50. An inquiry into the debt structure. Compares the debt structure with other economic elements of basic importance, such as capital values and revenues.

WRITTEN COMMUNICATION IN BUSINESS. By Edward A. Duddy and Martin J. Freeman. American Book Company, New York, 1936. 527 pages. \$3.50. Outlines the function of communication in business and gives instruction in the technique of writing communication forms.

Survey of Books for Executives

Check Lists of Advertising, Selling and Merchandising. By C. B. Larrabee and Henry W. Marks. McGraw-Hill Book Company, Inc., New York, 1937. 396 pages. \$3.50.

Check lists give a lot of comfort. In starting any kind of project, before putting the wheels into motion you consult your check list and examine your plans point for point. You derive comfort out of knowing that some brain, greater and more experienced than yours, has "thought of everything."

Mr. Larrabee and Mr. Marks, Editor of *Printers' Ink* and Manager of the Readers' Service Department of *Printers' Ink*, respectively, have brought forth a book in the best check list and *Printers' Ink* tradition. You lay your plans for taking your product to market and then you check

to see if you are paying your salesmen the right way, if you have made use of all possible selling points, if your package is designed properly, if your advertising has weak spots, if you should or should not have premiums, if your catalog is well compiled, if you are making use of all promotions—you check on many other points that might be passed over in the bustle of modern selling.

Calling on all the more vocal of the practitioners of the selling art who have become known throughout the pages of *Printers' Ink* to prepare the various lists, Mr. Larrabee and Mr. Marks have produced a book of considerable merit.

Such major marketing activities are covered as: sales management, advertising, direct-mail advertising, point-of-sale advertising, the juvenile market, new products, premium merchan-

dising, dealer relations, market research, seasonal marketing, and miscellaneous items.

Industrial Relations in Urban Transportation. By Emerson P. Schmidt. University of Minnesota Press, Minneapolis, 1937. 264 pages. \$3.00.

This volume seeks to point a "middle way" in employer-employee relations. It describes the achievements of the Amalgamated Association of Street, Electric Railway, and Motor Coach Employees of America, which for nearly fifty years has used the machinery of arbitration to settle labor disputes without resort to strikes. It also describes probably the first attempt to measure on a nation-wide scale the influence of a union in raising wages and reducing hours.

The volume is also a history of urban transportation in the United States. It deals with technological, financial, and regulatory, as well as labor aspects. The characteristics of transportation work and the type of men attracted to it are analyzed, and there is a chapter devoted to the late nineteenth century conditions which gave birth to unionism.

Of significant interest is the analysis of the influence of the union on wages. The author states that the Amalgamated Association of Street and Electric Railway Employees has succeeded in raising wages, reducing hours, cutting down the interval before maximum wages are reached, and, finally, preventing wage reductions.

"This speaks well for unionism to those who favor greater equality of incomes and accept the 'purchasing power' theory of the business cycle," the author comments. "On the other hand, those who argue that labor organizations force wages above the economic level and thereby stimulate undue capital substitution and unemployment, or that the gains of unionists are achieved at the expense of unorganized groups and the consumer, will look upon this evidence as further substantiation of their position; the same is true of those who regard the rigidity of the modern price structure as a major factor in the tardiness of business recovery from a depression.

"Throughout the history of the Amalgamated Association its influence on wages has been pronounced. In 1913 the *Motorman and Conductor* stated that 'the influence of the Association in wage-setting has reached out, also, upon some of the unorganized systems, for instance, Columbus, Ohio, where some 600 street railway men received from 1 cent to 2 cents per hour increase in wages to dissuade their effort to organize.' Similar results occurred in Saginaw and Bay City, Michigan, and in numerous other cities."

In Defense of Capitalism. By James H. R. Cromwell and Hugo Czerwonky. Charles Scribner's Sons, New York, 1937. 373 pages. \$3.50.

Believing that the average business

executive today is not fulfilling his responsibilities merely by being conversant with the practices and problems of his own particular industry, the authors of this volume decided to describe how the capitalistic system functions and the measures necessary to guarantee its continuance.

Their volume is divided into four parts: functioning of the capitalistic system; the specific monetary measures which they believe would render possible the control of the functioning of the system; the effects of adherence to such measures upon the major issues of the day; a technical exposition of fundamental thesis for advanced or professional students of economics.

Virtually the entire book is predicated upon five monetary rules which the authors believe govern the working of our capitalistic system and which determine the utilization of our available resources of man-power, industrial facilities and land. These rules are:

First. To increase the flow of finished consumer goods some people must partially abstain from consumption and divert dollars to enterprisers in order that workers constructing new productive facilities may acquire food, clothing, etc.

Second. To increase the flow of finished consumer goods some people must partially abstain from consumption and divert dollars to enterprisers in order that workers engaged in building up permanent additions to consumer goods in process may acquire food, clothing, etc.

Third. The flow of money must be augmented to offset the increased flow of finished consumer goods resulting from the abstention of the thrifty.

Fourth. The flow of money must be augmented to compensate for withdrawals due to hoarding.

Fifth. The flow of money must be augmented by the amount necessary to reward domestic investors in foreign countries.

An Introduction to Economics.

By H. LaRue Frain. Houghton Mifflin Company, New York, 1937. 693 pages. \$3.00.

This book is designed for the beginner in the study of economics. It presents the subject with an avoidance of abstract concepts and uses concrete illustrations extensively. The existence of defects and maladjustments in the prevailing economic system are noted from time to time, and probable lines of development are noted in some instances.

Its broad divisions are: the organization and purpose of business; characteristics of business; factors controlling production; how prices are determined; national income, its sources and distribution.

The Purchase of Common Stocks as Trust Investments. By C. Alison Scully. The Macmillan Company, New York, 1937. 82 pages. \$1.00.

This book is a discussion of common stocks as a form of investment for trust funds. It gives a historical

review, citations from source materials, and comments by important authorities.

The author states that there is no rule of law that common stocks are not at any time or under any conditions a suitable investment for trust funds; the trustee who buys them, however, does so at his own peril.

The tests of business judgment to be applied in determining whether or not common stocks are a suitable investment are offered as follows: First, they must be bought at a time when those best informed and regarded as best qualified to judge consider common stocks a prudent investment; second, they must be bought after investigation and discrimination; third, they must offer as high a degree of stability as possible; fourth, they must be obtainable at prices which the asset position of the corporation and the reasonable business prospects justify.

Fifth, the capital structure and financial condition of the company must be satisfactory; sixth, the management must be capable, and relations between officers, directors and stockholders must be reasonably harmonious; seventh, when they have been placed in the portfolio of a trust, common stocks must be watched and reviewed regularly; eighth, the proportion of the fund to be invested in common stocks and the concentration or diversification of the fund in the stocks of one or several companies must find support and justification in the conservative investment opinion of the time; ninth, the income cur-

rently distributable or in reasonable prospect must be appropriate to the purposes of the particular trust; tenth, trustees with limited financial experience and lacking intimate touch with current business and financial affairs should not undertake to act on their own judgment alone and at best should limit their purchases to a small list of the seasoned companies; finally, the justification of the trustee in buying common stocks must be found in his own belief fortified by conservative opinion of the day that in so doing he is conserving the principal of the fund.

The Supreme Court and the National Will. By Dean Alfange. Doubleday, Doran & Company, New York, 1937. 297 pages. \$2.50.

Brought forward at a time when the Supreme Court and its fate are of the greatest importance to the United States, but written before President Roosevelt's proposal for the reorganization of the Federal judiciary was announced, this book is a brilliant analysis of the Court and its relation to modern conditions.

The author states that his study is not a polemic for or against the Supreme Court and its offspring, judicial review; nor is it a polemic for or against the social democracy embodied in the New Deal. It is purely expository—an attempt to show that the Supreme Court, with but few exceptions in the past, has been able to adjust itself to the dominant currents of public sentiment, and that it is

not outside the scope of its powers to sustain the new departures necessitated by changing social conditions and the progress wrought by science and technology.

By sustaining the Wagner Labor Act, Dean Alfange states in an epilogue written after the book had gone to press, that the Supreme Court has broadened the meaning of the "commerce clause" and has discovered in it national power to regulate industrial relations in manufacturing industries operating on a national scale with a view to obviating stoppages which demonstrably injure the national economy.

"It has thus demonstrated once more its ability to take into account economic and social realities, its responsiveness to the national will, and the elasticity of a Constitution which, in the words of Chief Justice Marshall, 'was framed for ages to come,' and was 'designed to approach immortality as nearly as human institutions can approach it.'"

Trade Centers and Trade Routes.

By Eugene Van Cleef. D. Appleton-Century Company, Inc., New York, 1937. 307 pages. \$3.50.

This analysis of the structural forms, functions, and patterns of trade centers and trade routes focuses upon the city, town, and village, and is concerned with present-day problems.

Although the author's approach is from the geographic point of view, the book gives adequate attention to the economic and social aspects of

its subject. Urban centers are treated as dynamic, living organisms, having a life cycle of growth and decline. The terms trade center and trade route are used in a newer and broader sense, the former including every manner of settlement and the latter including such phenomena as language, the motion pictures and the radio. The book considers and interprets the complex problems which arise in urban centers and offers suggestions for the improvement of civic life.

Life Insurance Speaks for Itself.

By M. Albert Linton. Harper & Brothers, New York, 1937. 113 pages. \$1.50.

In reply to certain critics of life insurance whose charges have gained currency recently, M. Albert Linton, President of the Provident Mutual Life Insurance Company and President of the Actuarial Society of America has written this volume. Mr. Linton's book is cogent, direct, completely unevasive. Taking up typical criticisms, he analyzes them one by one and shows the reasons in actuarial science and accepted business principles for the procedures which are considered good practice in life insurance today.

Occupations in Retail Stores. By Dorothea de Schweinitz. International Textbook Company, Scranton, Pennsylvania. 417 pages. \$2.75.

This is a study sponsored by the National Vocational Guidance Association and the United States Em-

ployment Service, and prepared for the Occupational Research Section of the National Vocational Guidance Association.

Occupational information is measurably increased by the detailed descriptions of the 45 occupations included in the volume and is greatly enriched by the wealth of data concerning the surroundings in which these occupations are carried on.

Contents of the chapters run as follows: Chapter I contains information on employment trends; Chapter II includes a discussion of chain and independent stores; Chapter III describes store work in general and contains a list of the more numerous occupations in retailing; Chapters IV and V describe working conditions, material which should be read to supplement the information in any chapter on occupations; Chapters VI to XI describe 45 occupations.

Appendix A describes the method followed in making the study; Appendix B gives the tables which support the charts and condensed tabulations in the first five chapters of the book.

Controlling Retailers. By Ruth Prince Mack. Columbia University Press, New York, 1936. 551 pages. \$4.50.

This book is the chronicle of the reactions of a specific group of people to one attempt to regulate business—the National Industrial Recovery Act. It outlines the attitudes and institutions that retailers had already developed when the scene opened in the

summer of 1933. It describes the tussle over Code drafting. It analyzes the problems of Code administration. Then follows a detailed picture of what the Code did to retailers and what retailers did to the Code. In the final section, certain of the conclusions are reduced, on the basis of similarities in the basic training of American business men, to a form in which their meaning in connection with the broader problems of industrial regulation may be interpreted.

In so far as the problems attacked by NRA are still with us, the book is useful not only as history but as a basis for informed judgment on questions of future policy.

Contents: Part I: Pre-Code Cooperation and Controls: 1. Introductory; 2. Unfair Methods of Competition; 3. Retailer and Consumer; 4. Retailer and Resources; 5. Retailer and Government; 6. Retailer vs. Factors of Production; 7. Services Supplied Through Cooperation; 8. Summary; Part II: The Genesis of the Code: 1. The National Industrial Recovery Act; 2. The Process of Code Drafting; 3. Code Clauses; Part III: Code Administration: 1. Administrative Agencies; 2. Compliance; 3. Code Modification; 4. Administrative Machinery and the Public Interest; Part IV: The Retail Trade Under the NRA: 1. Labor Clauses in Theory; 2. Labor Clauses in Practice; 3. The Employer and His Customer; 4. Group Relationships; Part V: Conclusion: 1. The Retail Code; 2. Central Regulation of Industry and Trade; Index.

